



*The Volunteer Program Management
Information System Has Improved,
but Better Controls Are Needed to
Ensure Data Reliability*

February 23, 2012

Reference Number: 2012-40-021

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.

Redaction Legend:

2(f) = Risk Circumvention of Agency Regulation or Statute

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HIGHLIGHTS

THE VOLUNTEER PROGRAM MANAGEMENT INFORMATION SYSTEM HAS IMPROVED, BUT BETTER CONTROLS ARE NEEDED TO ENSURE DATA RELIABILITY

Highlights

Final Report issued on February 23, 2012

Highlights of Audit Number: 2012-40-021 to the Internal Revenue Service Commissioner for the Wage and Investment Division.

IMPACT ON TAXPAYERS

The IRS through its Stakeholder Partnerships, Education, and Communication (SPEC) function provides outreach and education by combining resources and goals with other organizations. The implementation of the SPEC Total Relationship Management System (SPECTRM), the database used to provide SPEC function management information, has improved access to Volunteer Program information. However, data are entered manually and the SPECTRM does not maintain historical data, it is only a snapshot of current operations, and it does not capture all the Volunteer Program activities. Accurate system information is essential to ensure effective taxpayer service.

WHY TIGTA DID THE AUDIT

Prior TIGTA reports identified that the SPEC function's prior database provided limited data and the data were not always accurate. The SPECTRM was deployed in Fiscal Year 2010 to replace the prior system. The objective of the audit was to determine the accuracy of the SPECTRM and if it is meeting the IRS's expectations.

WHAT TIGTA FOUND

The implementation of the SPECTRM was successful and has improved access to Volunteer Program information, providing easier access and generating more management reports. Implementing the SPECTRM appears to have generally accomplished the

SPEC function's goals for its new management information system.

However, the SPECTRM does not capture information necessary to compare expectations to accomplishments, and does not interface with forms—it requires that information from forms be manually input. Additionally, a review of 600 forms related to 135 Volunteer Program sites showed 91 (67 percent) sites had data on at least one of the three forms reviewed that did not match the data on the SPECTRM.

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WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS consider modifying the SPECTRM to accept direct uploads of electronic forms from SPEC function employees; strengthen controls to require that Volunteer Program information is validated periodically throughout the filing season to ensure it is timely and accurately entered into the SPECTRM; *****2(f)*****

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In their response to the report, IRS officials agreed with the recommendations. The IRS plans to determine the feasibility of uploading data from electronic forms *****2(f)*****
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*****2(f)***** . Concerning the second recommendation, the IRS has put several requirements in place to validate SPECTRM data.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

February 23, 2012

MEMORANDUM FOR COMMISSIONER, WAGE AND INVESTMENT DIVISION

FROM: *Michael R. Phillips*
Michael R. Phillips
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – The Volunteer Program Management Information System Has Improved, but Better Controls Are Needed to Ensure Data Reliability (Audit # 201140013)

This report presents the results of our review of to determine the accuracy of the Internal Revenue Service's Stakeholder Partnerships, Education, and Communication Total Relationship Management System and if it is meeting the Internal Revenue Service's expectations. This audit is included in Treasury Inspector General for Tax Administration's Fiscal Year 2011 Annual Audit Plan and addresses the major management challenge of Leveraging Data to Improve Program Effectiveness and Reduce Costs.

Management's complete response to the draft report is included as Appendix IV.

Copies of this report are also being sent to the Internal Revenue Service managers affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions or Michael E. McKenney, Assistant Inspector General for Audit (Returns Processing and Account Services), at (202) 622-5916.



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Abbreviations

e-file(d); e-filing	Electronically file(d); electronic filing
EFIN	Electronic Filing Identification Number
IRS	Internal Revenue Service
PTIN	Preparer Tax Identification Number
SIDN	Site Identification Number
SPEC	Stakeholder Partnerships, Education, and Communication
SPECTRM	SPEC Total Relationship Management System
STARS	SPEC Taxpayer Assistance Reporting System
TCE	Tax Counseling for the Elderly
VITA	Volunteer Income Tax Assistance



The Volunteer Program Management Information System Has Improved, but Better Controls Are Needed to Ensure Data Reliability

Background

The Internal Revenue Service (IRS) serves more than 123 million customers who file millions of tax returns every year. The IRS's first goal is to improve service to taxpayers to make voluntary compliance easier. Providing quality customer service is the first step toward achieving taxpayer compliance.

To help accomplish this, the IRS provides outreach and education by combining resources and goals with other organizations. The IRS, through its Stakeholder Partnerships, Education, and Communication (SPEC) function, incorporates an indirect approach to community outreach and tax assistance, emphasizing collaboration with other organizations and naming relationship management as a key business strategy.

The SPEC function offers taxpayer assistance with a three-pronged business model and provides these services through the leveraged efforts of partners that actually deliver many of the programs.

A partner is an organization that has an ongoing relationship with a local SPEC function Territory Office¹ and delivers one or more components of the SPEC function business model. Partners also include organizations that provide significant support that directly enables another partner to deliver one or more components of the SPEC function business model. A site is a location where a partner organization provides volunteer income tax assistance.



The SPEC function has collaborated with many partners to create community-based coalitions where partners network together at the local level to deliver services that assist low-income taxpayers. The SPEC function's primary role in these coalitions is to provide support relating to tax law matters, tax law education, and Volunteer Program site organization.²

The SPEC function develops and supports partnerships that have a commitment to increase the economic well being of shared customers. The SPEC function's Business Model is leveraged through client-based organizations. The Model integrates tax education and free tax preparation

¹ The SPEC function is divided into four Area Offices and 37 Territory Offices.

² The Volunteer Program is comprised of the Volunteer Income Tax Assistance (VITA) Program, the Tax Counseling for the Elderly Program, and the VITA Grant Program.



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with other strategies promoted by partners to increase income, build savings, and gain and sustain assets for targeted taxpayers.

Figure 1 shows the changes to the number of Volunteer Program coalitions, partners, volunteers, and tax return preparations sites from Fiscal Year³ 2009 to 2011.

Figure 1: The Volunteer Program From Fiscal Year 2009 to Fiscal Year 2011

	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Percentage Change From Fiscal Year 2010 to Fiscal Year 2011
Number of Coalitions	352	370	396	7.0%
Number of National Partners	60	64	75	17.2%
Number of Local Partners	4,531	4,050	3,952	-2.4%
Number of Volunteers	82,653	87,602	88,527	1.1%
Number of Tax Return Preparation Sites	12,160	12,326	12,486	1.3%

Source: Fiscal Year 2011 and 2012 SPECT function Program Guides and IRS data.

Through its partners, the IRS is able to provide millions of underserved⁴ taxpayers with free Federal tax return preparation. Figure 2 shows the number of Federal tax returns prepared for Fiscal Years 2009 through 2011.

³ Fiscal Year is a 12-consecutive-month period ending on the last day of any month, except December. The Federal Government's Fiscal Year begins on October 1 and ends on September 30.

⁴ Underserved taxpayers are those from low-income populations, the elderly, disabled, limited-English-speaking, non-urban, and Native Americans.



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Figure 2: Federal Tax Returns Prepared by the Volunteer Program for Fiscal Years 2009 Through 2011

	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011
Number of Federal Tax Returns Prepared	3,047,622	3,085,512	3,188,524

Source: Fiscal Year 2011 and 2012 SPEC function Program Guides and IRS data.

The SPEC function uses a database, the SPEC Total Relationship Management System (SPECTRM), to provide overall management information. The SPECTRM resides in a network environment and integrates a number of different modules to capture information, for example, about IRS partners, equipment used by the Volunteer Program, and Volunteer Program sites.

Prior Treasury Inspector General for Tax Administration report

In April 2008, we reported that the SPEC function’s prior database, the SPEC Taxpayer Assistance Reporting System (STARS), provided limited data and the data were not always accurate.⁵ Better management information was needed to help provide effective oversight. The STARS:

- Did not maintain historical data and was only a snapshot of current operations. Historical data had to be separately captured, extracted, and stored.
- Did not capture all the data needed for the Tax Counseling for the Elderly (TCE) Program.
- Was unable to track sites by grantee/organization. Therefore, determining activity by grantee was not possible.

Additionally, the SPEC function had insufficient resources to both maintain the system and run the day-to-day program.

One solution was to transfer the STARS to the IRS’s Modernization and Information Technology Services organization, but the system did not comply with the Enterprise Architecture standards. The Modernization and Information Technology Services organization would not assume support until the system met current Enterprise Architecture standards.

We recommended the IRS develop a management information system to oversee, control, and measure the TCE Program’s activities and goals. The system should capture grantees’ historical and current year information and include information about the grantee such as 1) the number of

⁵ Treasury Inspector General for Tax Administration, Ref. No. 2008-40-112, *Oversight and Administration of the Tax Counseling for the Elderly Program Need Improvement* (April 2008).



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sites and geographic dispersion; 2) grantee awards requested, made, and spent; 3) grant funds distributed and returned; 4) grantee expectations and planned activity; 5) grantee expenses related to the Program; and 6) actual tax returns prepared by the grantee for all taxpayers and elderly taxpayers. The IRS agreed to explore the use of a database used by the Low Income Tax Clinic Office for administering its grants, as well as other existing databases, for comparative analysis of capabilities and adaptation to fit the TCE Program needs.

This review was performed at the IRS Customer Assistance, Relationships, and Education function, the Wage and Investment Division Headquarters in Atlanta, Georgia; and Territory Offices in Plantation, Florida; Atlanta, Georgia, and Dallas, Texas, during the period March through November 2011. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.



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Results of Review

A Better Management Information System Has Improved Access to Volunteer Program Data

The implementation of the SPECTRM was successful and has improved access to Volunteer Program information, providing easier access and generating more management reports. The SPECTRM was deployed in Fiscal Year 2010 to replace the STARS and is a web-based application that provides more than 100 management reports, including reports on the quality of tax return preparation at the Volunteer Program sites. The SPECTRM captures Volunteer Program partner information, including the tax preparation sites and the number of volunteers supporting the Volunteer Program. It also captures the results of the Program's quality reviews and site visits.



Although the SPECTRM is an improvement over the STARS, data are mostly entered manually, relying on the timeliness and accuracy of the individuals entering the data. Additionally, the SPECTRM does not maintain historical data, it is only a snapshot of current operations, and does not capture all the Volunteer Program activities. However, the implementation of Business Objects⁶ will allow the SPECTRM to maintain historical data. Management information is essential to control operations and make decisions and should be an integral component of a system of internal controls.

The SPECTRM was successfully implemented and the data were accurately transferred from the STARS

The IRS established a comprehensive plan that included controls, guidance, and instructions to ensure data were accurately transferred to the SPECTRM. A Privacy Impact Assessment was completed, and access to the system is allowed to those who have established a need and who have obtained approval by submitting a request through the IRS's Online 5081⁷ process. The

⁶ A web-based tool used to access information for reporting and analysis purposes. Business Objects provides users with an easy to use, point-click interface, to quickly access, view, and export information from various available data sources.

⁷ IRS employees must utilize the IRS Form 5081, *Information System User Registration/Change Request*, to request access to information systems and applications. It provides automated submission, approval, re-certification, and filing of the Form 5081 on an enterprise-wide basis. The Online 5081 Application is an intranet and web-based application.



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IRS also provided formal SPECTRM training to all SPEC function employees and includes SPECTRM training in the annual filing season⁸ readiness training.

The SPECTRM was successfully implemented and, with a few minor exceptions, data from the STARS were accurately transferred to the SPECTRM. The SPEC function established and generally accomplished the three main objectives for implementing the SPECTRM.

- 1. Convert the STARS to a central server browser-based environment.** The SPECTRM resides in a network environment accessible by all Territory Offices. The STARS required a time consuming installation of a local copy of the database and user interface. The SPECTRM is a web-based system requiring no installation on the user's computer.
- 2. Eliminate STARS systemic problems.** The SPECTRM provides real-time data, eliminates the need for users to synchronize manually, and resolves data latency issues.
- 3. Transfer system technical support from the SPEC function to the IRS's Modernization and Information Technology Services organization.** The SPECTRM, unlike the STARS, is compliant with IRS's computer architecture standards; therefore, it can be supported by the IRS's Modernization and Information Technology Services organization. The STARS was supported solely by SPEC function resources.

Additional goals for the SPECTRM included increasing employee and partner satisfaction, improving data accuracy and latency, increasing security, and decreasing application maintenance time. Implementing the SPECTRM appears to have generally accomplished the SPEC function's goals for its new management information system.

The SPECTRM is web-based, integrates older legacy systems, and generates more than 100 redesigned reports

The SPEC function believes that the SPECTRM is an improvement over the STARS. It is web-based, allowing SPEC function employees to access it from any IRS computer connected to the IRS intranet. Employees at three Territory Offices visited believe the SPECTRM is easy to access and stated that they are satisfied with the SPECTRM and prefer it to the STARS.

The data in the SPECTRM are used for many purposes, including measuring the quality of tax return preparation, providing site and Territory Office statistics, and providing IRS assistors and taxpayers with information on the Volunteer Program sites.

⁸ The period from January through mid-April when most individual income tax returns are filed.



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The SPECTRM integrates SPEC function's legacy tools into one system

The STARS was the primary management information system for the SPEC function and the Volunteer Program. However, the SPEC function also utilized other systems to capture quality assurance results and control volunteer equipment, such as computers and printers. These systems and tools had limited data sharing and each had separate installation, support, and reporting needs. The SPECTRM's October 2011 release completed the integration of the last element of the other SPEC function systems under a single, web-based, user interface. This has simplified support needs and will provide for easier reporting integration.

The SPECTRM integrates a number of different modules to provide an overall management information system.

Partners Information Module. The partners' information module includes contact information for the organization; contacts of the organization (people); and the partner profile providing a view of partner's abilities to meet SPEC function objectives in areas such as language skills, international issues, and financial literacy.

Contacts Module. The contacts module links to other modules in the SPECTRM database. It contains all contacts for partners, sites, equipment, software orders, and production.

Sites Module. The sites module includes information specific to Volunteer Program sites, including, but not limited to days/hours of operation, types of service provided, special language services, and appointment phone numbers.

Equipment Module. The equipment module provides inventory tracking for equipment used in the Volunteer Program.

Production Module. The production module has not been used to capture media/nonmedia outreach contacts. The SPEC function plans to establish a new outreach measure to be used after Fiscal Year 2011.

Tax Software Orders Module. The software orders module allows the SPEC function to track the number and location of software orders. It allows linking from the sites and contacts modules to eliminate the need to maintain separate systems with similar data.

The SPECTRM's interface was designed to be highly configurable, that is, profile items, interface dropdowns, and many other features can all be updated as needed without requiring reprogramming. For example, the SPEC function can create new versions of forms used to capture quality results without having to request new programming. This is especially important because the SPEC function has only two staff dedicated to the SPECTRM

Many data points in the SPECTRM are linked to other data points in other modules, allowing the SPEC function to generate reports by category, such as contacts, equipment, partners, quality, sites, and software orders. The SPECTRM also provides reports to validate and manage most aspects of data.

There are more than 100 predesigned SPECTRM reports that provide national, Area, and Territory Office data, for example:



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- **Quality Reports** - Provide results from quality reviews and field site visits. These reports provide a summary of results by program type (AARP (formerly known as the American Association for Retired Persons), Volunteer Income Tax Assistance (VITA), military, etc.) followed by the responses for each line entry on the form queried. Each program type can be queried individually as well.
- **Exception Reports** - Provide information on inconsistent data entry in the SPECTRM. Exception Reports identify, for example, incomplete site and/or partner records, partners with no primary contact, or active sites without a required SPEC function Form 13206, *Volunteer Assistance Summary Report*.

However, there is limited ability to generate ad hoc reports or customize reports to obtain data specific to partners and sites. SPEC function employees in two out of three Territory Offices we visited expressed dissatisfaction with the current SPECTRM predesigned reports. According to IRS officials, the dissatisfaction may have arisen from employees not fully comprehending the goals for the SPECTRM. Reports are being phased into the SPECTRM. The SPEC function plans to transition to the Business Objects web-based reporting tool that will provide new reporting options and the ability to customize the SPECTRM and production information.

The SPECTRM was designed to mirror the capabilities and functionality of the STARS in a web-based environment

The SPECTRM is an improvement over the STARS. However, like the STARS, the SPECTRM does not:

- Maintain online historical information and does not capture information necessary to compare expectations to accomplishments. For example, the SPECTRM cannot be queried to determine which grantees participated in a prior year.
- Capture certain partner activities, including how many tax returns they planned to prepare and how many tax returns they actually prepared. To determine how many tax returns were prepared by a grantee or a partner, the IRS must extract data from other IRS systems and run numerous queries.
 1. The Site Identification Numbers (SIDN) must be identified. Each Volunteer Program site is assigned a unique SIDN, which identifies the original Program type (VITA, Military, and TCE Program) and the physical location of the site. The SPECTRM captures the SIDN for each site. The SIDN must be input on every tax return prepared by the Volunteer Program. A partner's information is captured in the SPECTRM's Partner Module and linked to each tax preparation site, each with its own SIDN.
 2. All tax returns prepared using a Volunteer Program SIDN must be extracted from other IRS systems.



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3. The SIDNs must be associated with each partner.

If multiple year data are needed to determine if a partner has prepared more tax returns in one year than another, this will have to be done for each period. The SPECTRM archives will have to be accessed to obtain any prior year data.

- Interface with forms. The Volunteer Program utilizes paper forms to manage and control many of its activities, creating a paper intensive environment. During each of the last three filing seasons, voluminous data were input for more than 22,000 contacts and more than 12,000 Volunteer Program tax return preparation sites.⁹ The Territory Offices are responsible for the input, validation, and continued monitoring of the SPECTRM to ensure it accurately reflects current data within all modules.

Additionally, the SPECTRM was not designed to capture grantee award amounts, fund withdrawals, or expenses for VITA or TCE grant recipients. The IRS is required to participate in a grants management system from a consortium of agencies that supports end-to-end grants management. The IRS stated it plans to use the United States Department of Health and Human Services grants management services, but has not yet been able to secure funding. Access to these services will allow the IRS to manage full life-cycle processing (pre-award to post-award) of the grants; integrate funds control with financial systems, financial reports, and audit tracking; and allow performance reporting.

The SPECTRM was a collaborative effort of the Modernization and Information Technology Services organization and the SPEC function and was developed “in house” over a three-year period for about \$1 million in Full Time Equivalents¹⁰ assigned to the project. IRS officials stated that the SPECTRM development freed up limited SPEC function resources for other activities and proved crucial during a time when budgets to contract with outside vendors were limited or nonexistent.

SPECTRM users would prefer that the Volunteer Program’s forms interface with the SPECTRM, therefore limiting manual data input and transcription errors. All SPEC function forms are in an electronically fillable format to facilitate retention in an electronic format. However, the forms are not currently integrated with the SPECTRM. IRS officials stated that the SPECTRM would have to be modified to interface with the forms, requiring additional funding. However, the SPEC function needs to assess the resources expended each year for more than 400 SPEC employees to enter the data into the SPECTRM to determine if it would be

⁹ IRS employees input information for Volunteer Program sites that are not affiliated with the AARP (formerly known as the American Association for Retired Persons). The AARP site information is sent to the IRS in an electronic file and uploaded into the SPECTRM System. The AARP is responsible for sending uploads for any changes.

¹⁰ A measure of labor hours in which one Full-Time Equivalent is equal to eight hours multiplied by the number of compensable days in a particular fiscal year. For Fiscal Year 2010, one Full-Time Equivalent was equal to 2,088 staff hours.



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cost beneficial to modify the SPECTRM to interface with some or all of the forms used by the Volunteer Program.

The SPECTRM, like the STARS, requires that most data be input manually

The SPECTRM is the central repository for the information contained in most of the paper forms used to manage and administer the Volunteer Program. The SPECTRM provides record-level edits; when data input is incomplete, the SPECTRM generates a warning. Additionally, Territory Office management is required to review certain forms before input.

During each of the last three filing seasons, voluminous data were input for more than 22,000 contacts and more than 12,000 Volunteer Program tax return preparation sites.

Nevertheless, every filing season voluminous data must be input to manage the Volunteer Program. The SPEC function has more than 400 employees, most called tax consultants, who enter data into the SPECTRM. They create and update site, partner, and contact records, as well as enter other Volunteer Program information into the SPECTRM throughout the filing season and fiscal year.¹¹ For example, six forms used in the Volunteer Program contain 316 different fields and elements used to capture Volunteer Program information including:¹²

- First and last day open.
- Site Coordinator or contact.
- Number of volunteers.
- Languages offered at the site.
- Site operating hours and days open.
- Site name and address.
- Program type.
- Whether the site prepares Federal and/or State electronic filing (e-file) tax returns.
- Whether the site is open to the public.
- Whether the site is appointment only.
- Whether the site is mobile only.
- Whether the site is a Certified Acceptance Agent.¹³
- Whether the site prepares prior year returns.
- SIDN.

¹¹ IRS employees input information for Volunteer Programs that are not affiliated with the AARP (formerly known as the American Association for Retired Persons). The AARP information is sent to the IRS in an electronic file and uploaded to the SPECTRM. The AARP is responsible for sending uploads for any changes.

¹² Form 13715, *Volunteer Site Information Sheet*; Form 13206, *Volunteer Assistance Summary Report*; Form 13632, *Property Loan Agreement*; Form 13325, *Statement of Assurance Concerning Civil Rights Compliance for Internal Revenue Service SPEC Partnerships*; Form 13533, *Sponsor Agreement*; and Form 14099, *SPEC Partner/Site Financial Education & Asset Building Assessment Tool*.

¹³ An Acceptance Agent is a person (an individual or an entity) who is authorized to assist alien individuals and other foreign persons (who are ineligible to receive Social Security Numbers) in obtaining an Individual Taxpayer Identification Number from the IRS.



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System data may not always be accurate

We visited three Territory Offices and reviewed Volunteer Program files that contained 600 forms related to 135 active Volunteer Program sites.¹⁴ For one Territory Office, we reviewed all available site forms. For the remaining two, we selected a random sample of sites and reviewed the forms associated with the selected sites. Based on our review of three forms,¹⁵ 91 sites (67 percent) had data on at least one form that did not match the data on the SPECTRM. Information on the forms that did not match the SPECTRM included zip codes, hours of operation, languages offered to taxpayers, and appointment-only designations.

In addition, of the 135 files associated with the 135 sites, 134 (99 percent) files were incomplete, with missing or incomplete forms. For example:

- 6 sites were missing Form 13715, *Volunteer Site Information Sheet*, which provides the site information, including hours of operation.
- 8 Forms 13715 listed “Appointment Only” information and 10 Forms 13715 listed “Appointment Only Telephone Numbers” that did not match the SPECTRM.
- 12 Forms 13715 listed “Languages” that did not match the SPECTRM.
- 14 Forms 13715 listed “First Day Open” dates that did not match the SPECTRM.
- 17 Forms 13715 listed “Hours of Operation” that did not match the SPECTRM.
- 20 Forms 13715 listed “Program Types” that did not match the SPECTRM.
- 22 Forms 13206, *Volunteer Assistance Summary Report*, did not have dates and/or volunteer counts on the Forms.
- 38 Forms 14099, *SPEC Partner/Site Financial Education & Asset Building Assessment Tool*, did not have dates indicating when the SPECTRM was updated.
- 43 Forms 14099 did not have dates indicating when the Territory Office manager signed the Form.

Territory Offices are required to verify the information with the partners before they enter it into the SPECTRM. However, the considerable number of partners and sites creates voluminous data, and errors happen when data are manually transferred from the various forms to the SPECTRM.

¹⁴ Sites are only considered active sites for the current year once the box “open for XXXX” is checked in the SPECTRM System Site Module.

¹⁵ The three forms are Form 13715, *Volunteer Site Information Sheet*; Form 13206, *Volunteer Assistance Summary Report*; and Form 14099, *SPEC Partner/Site Financial Education & Asset Building Assessment Tool*.



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The SPEC function emphasizes the importance of entering accurate information into the SPECTRM. In its 2012 Filing Season training it states:

Why is the correct organization type important? SPEC headquarters receives numerous data calls weekly. Many of these data calls have short response times and occur during the filing season. To reduce burden on the field, HQ [Headquarters] pulls reports from [the] SPECTRM; however, if the data extracted is suspect, such as a military base being identified as a bank, headquarters must request validation by the field. This creates more work during our busiest time. . . . All data is important. SPEC employees spend countless hours entering, retrieving, validating, and using the data available in [the] SPECTRM. When data is accurate, less time is spent reworking reports caused by inaccurate data entry. . . . it is critical information is correctly entered, validated, and managed.

System data were not entered timely

An additional test of 28 active sites showed data for 17 sites were input after they were scheduled to open for tax return preparation because of untimely input and insufficient oversight. The average number of days the sites were open before they were input into the SPECTRM was 57 days, ranging from 19 to 92 days after the sites were scheduled to open.

Although 17 sites represent less than 1 percent of the 12,000 Volunteer Program tax return preparation sites, not timely entering a site to the SPECTRM could affect thousands of taxpayers. Taxpayers would not know about the sites or know they are open if they are not listed on the SPECTRM, because the SPECTRM is the source of the site information provided on the IRS's public website and provided to toll-free telephone assistors.

In addition, when sites are not entered into the SPECTRM, they might not be assigned an SIDN and are not subject to the IRS's quality assurance process.

- When sites are input into the SPECTRM, they are automatically assigned an SIDN unless they are returning sites. Each tax return prepared at a Volunteer Program site is required to have the SIDN entered on the tax return. If the SIDN is not recorded on the return, the return will not be associated with the Volunteer Program.
- When sites are not listed on the SPECTRM, they are not subject to Territory Office reviews. The IRS conducts Volunteer Program site reviews to ensure sites are adhering to the quality requirements, including whether the tax returns are being prepared accurately.

The partners are required to submit their Volunteer Site Information Sheet before the start of the filing season so that all partner data are current in the SPECTRM. This usually occurs in mid-January. This is essential since this information is used by the IRS and taxpayers to locate tax preparation sites and determine their services and hours of operation. The Territory Office



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manager is required to verify the information, check the appropriate field in the SPECTRM, and then sign and date the Forms 13715 indicating approval for the site opening.

There are limited controls to ensure the information is accurately and timely recorded

The SPEC function continually emphasizes the importance of ensuring SPECTRM data are accurate. Territory Office managers are responsible for ensuring the data are input timely and accurately. Additionally, there are requirements that Headquarters, or Area or Territory Offices periodically review files to ensure they are complete and have been input correctly to the SPECTRM.

This is a considerable challenge because most information is on forms in paper files that are not centrally located and there are no requirements that all forms be centrally located. Electronic storage would facilitate periodic reviews which is especially important during the filing season when accurate site information is critical. All required forms are in an electronically fillable format, but the partners can choose to e-mail the forms.

There is no requirement that all forms be printed and maintained in paper files. Nevertheless, all three Territory Offices we visited maintained paper files for the Volunteer Program sites. Some files were maintained offsite because the tax consultants telework.

Recommendations

The Commissioner, Wage and Investment Division, should:

Recommendation 1: Consider modifying the SPECTRM to accept uploads of electronic forms from SPEC function employees to save resources and ensure data is timely input.

Management's Response: IRS management agreed with this recommendation and will determine the feasibility of uploading data from electronic forms.

Recommendation 2: Strengthen controls to require that Volunteer Program information is validated periodically throughout the filing season to ensure it is timely and accurately entered into the SPECTRM. Validations should include reconciling site information in the SPECTRM to current Forms 13715.



The Volunteer Program Management Information System Has Improved, but Better Controls Are Needed to Ensure Data Reliability

Management’s Response: IRS management agreed with this recommendation. The IRS has several requirements already in place to validate SPECTRM data, including:

- The Internal Revenue Manual currently requires continuous monitoring of the accuracy of information in SPECTRM.
- For all sites open on or before February 1, the Internal Revenue Manual requires Form 13715 data to be entered, updated, and marked “open for (applicable year)” in SPECTRM no later than January 15.
- The Internal Revenue Manual requires the SPECTRM to be updated within three business days of receipt of an updated Form 13715.

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Each Volunteer Program tax return preparation site is assigned a unique SIDN and those sites that e-file tax returns are assigned a unique Electronic Filing Identification Number (EFIN).¹⁶ The SIDN is an eight-digit number preceded by the letter “S.” It is used in place of the Preparer Tax Identification Number (PTIN).¹⁷ The SIDN is automatically entered on the tax return by tax preparation software when the software is used to prepare the tax return. In some cases, the SIDN is manually entered. Nevertheless, the SIDN should be entered into the PTIN field on all tax returns prepared by the Volunteer Program. Figure 3 shows an excerpt from Form 1040, *U.S. Individual Income Tax Return*.

Figure 3: Extract From Form 1040

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶	Firm's EIN ▶			
	Firm's address ▶	Phone no.			

Form **1040** (2010)

Source: IRS.gov. EIN=Employer Identification Number.

¹⁶ All applicants who are accepted into the e-file Program are assigned an EFIN. Only a Volunteer Program site that transmits electronic tax returns will have an EFIN.

¹⁷ All paid tax return preparers are required to obtain a PTIN from the IRS and enter it on all tax returns they prepare.



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*****2(f)*****. However, all tax returns that are e-filed must have a valid EFIN to be accepted by the IRS. SIDNs can be associated with multiple EFINs. For example, a partner can have sites that do not transmit tax returns, but instead transfer tax returns they prepare to a transmitting site to be e-filed. Therefore, the transmitting site will use one EFIN to transmit tax returns using more than one SIDN. *****2(f)*****. *****2(f)*****.

Only 189,000 (6 percent) of the Volunteer Program tax returns are filed on paper.

The IRS explained that volunteers often simply entered an incorrect number as the SIDN. During the filing season, Territory Office employees conduct site visits. If the Territory Office employees become aware that an incorrect number is being entered as the SIDN, they work with the site to make sure they have the correct SIDN to update their computers. Corrections affect only tax returns filed after the date the correction was made.

To determine if any invalid SIDNs were not associated with a Volunteer Program, three samples were selected from 4,153 invalid SIDNs:

- Sample 1: A judgmental sample of 25 SIDNs used to prepare high volumes of tax returns.
- Sample 2: A judgmental sample of 11 SIDNs that were both associated with an EFIN and used to prepare paper tax returns.
- Sample 3: A judgmental sample of 25 tax returns (13 SIDNs were associated with these 25 tax returns).

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See Figure 4 for the results of the three samples of invalid SIDNs used to file tax returns in Calendar Year 2011.



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Figure 4: Results of Three Samples of Invalid SIDNs Used to File Tax Returns in Calendar Year 2011¹⁸

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Source: Treasury Inspector General for Tax Administration analysis of invalid SIDNs.

*****2(f)*****. Territory Office employees are required to review reports and identify sites with low or no tax return production for their assigned sites, indicating that the sites may be using invalid SIDNs. Additionally, during the quality reviews of the Volunteer Program sites, the reviewer will check to ensure the volunteers are using the correct SIDNs.

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*****2(f)*****. Prior to Calendar Year 2011, preparers did not have any national standards that they were required to satisfy before selling tax preparation services to the public. Anyone, regardless of training, experience, skill, or knowledge, was allowed to prepare Federal income tax returns for others for a fee.

However, the IRS has increased its oversight of the tax return preparer industry through numerous actions, including requirements for registration, competency testing, continuing professional education, ethical standards, and enforcement. Paid preparers are now required to obtain a PTIN and if they are not attorneys, Certified Public Accountants, or Enrolled Agents, they will have to pass certain suitability checks as well as pass a competency test and take annual continuing professional education.

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¹⁸ The result totals do not add up to the sample totals because duplicates in Samples 2 and 3 were removed from results presented in this chart.



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Recommendation

Recommendation 3: *****2(f)*****
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Management's Response: *****2(f)*****.
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Appendix I

Detailed Objective, Scope, and Methodology

Our overall objective was to determine the accuracy of the SPECTRM and if it is meeting the IRS's expectations. To accomplish this objective, we:

- I. Evaluated the IRS's implementation of the SPECTRM and determined if it established controls and guidance to ensure data were accurately transferred from the STARS. In addition, we determined whether the IRS established and achieved system goals for the project; established procedures to ensure data are accurate, complete, and timely input into the SPECTRM and corrected the STARS latency problems.
 - A. Analyzed the SPECTRM - Release 1 WebSTARS Student Guide, Project Management Plan, Internal Revenue Manuals, and other related documents.
 - B. Interviewed SPEC function management officials and program analysts with responsibility for implementing the SPECTRM to determine their goals and expectations for the new system.
 - C. Interviewed Territory Office managers and tax consultants to determine if the SPECTRM is an improvement over the STARS, and if the SPECTRM meets their needs in managing the Volunteer Program and Outreach Activities.
- II. Determined the reliability and accuracy of the information input into the SPECTRM by reviewing source documents and reports, and comparing them to the SPECTRM's seven module reports for Volunteer Program and Outreach Activities, as well as to the information residing in the SPECTRM.
 - A. Determined the reliability and accuracy of the archived SPECTRM reports by performing a records check and comparing the first 50 records from each module report to the records in the SPECTRM. The data were reliable for purposes of this report.
 - B. Conducted unannounced visits to three Territory Offices. We judgmentally selected the three offices from 37 Territory Offices. The only criteria was that each office be located in a different SPEC function Area. We reviewed 600 forms related to 135 active Volunteer Program sites and determined whether data entered into the SPECTRM's seven modules were accurately and timely input.

We reviewed all available site forms for the Atlanta Territory Office. Due to limited resources, we selected samples at the Dallas and Plantation Territory Offices. We used a random number generator and selected 61 of 312 sites from the Dallas



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- Territory Office and 63 of 332 sites from the Plantation Territory Office. However, not all records were on site and the samples were reduced to 22 and 40 sites for the Dallas and Plantation Territory Offices respectively.
- C. Determined whether the IRS still uses the SIDNs to determine the number of Volunteer Programs by their program types and the number of returns prepared by those programs.
 - D. Determined whether the number of tax returns prepared by site is captured in the SPECTRM as well as the tax return accuracy rates for those sites.
 - E. Determined whether the number of volunteers by site is captured in the SPECTRM.
- III. Determined whether SPEC function management has controls and procedures in place that provide sufficient assurance that the data entered into the SPECTRM are accurate, timely input, and updated.
- A. Determined at the Area and Territory level whether controls and procedures exist to ensure the data are accurately and timely transcribed into the SPECTRM.
 - B. Obtained Area Operational Reviews for Fiscal Years 2010 and 2011 and determined if they require Territory Office managers to review the Volunteer Program and Outreach Activities information periodically for accuracy and timely upload.
- IV. Determined whether the SIDNs are appropriately assigned and controlled on the SPECTRM to ensure all Volunteer Program sites have valid and accurate SIDNs and that no tax returns are being transmitted using invalid SIDNs. We selected three judgmental samples from 4,153 invalid SIDNs: a judgmental sample of 25 SIDNs used to prepare high volumes of tax returns, a judgmental sample of 11 SIDNs that were both associated with an EFIN and used to prepare paper tax returns, and a judgmental sample of 25 tax returns (13 SIDNs were associated with these 25 tax returns). After eliminating duplicates the total sample included 42 SIDNs.
- A. Obtained a copy of the Returns Transaction File dated June 29, 2011, through the Treasury Inspector General for Tax Administration Data Center Warehouse and uniqued the SIDNs to remove duplicates. We selected 10 records and matched them to the Integrated Data Retrieval and determined the data were reliable for purposes of this report.¹
 - B. Matched the SIDNs on the Return Transaction File to the SPECTRM report and determined if there were any mismatches.
 - C. Determined which sites have incorrect SIDNs and determined whether the SIDNs

¹ The Returns Transaction File and the Individual Master File are both IRS databases that store various types of taxpayer account information.



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were incorrectly entered into the Returns Transaction File, entered incorrectly into the SPECTRM, or are invalid Volunteer Program SIDNs.

Internal controls methodology

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined the following internal controls were relevant to our audit objective: the IRS's policies, procedures, and practices for ensuring the accuracy of the SPECTRM. We evaluated these controls by interviewing management, reviewing the Internal Revenue Manual, visiting sites, reviewing extracts, and analyzing information on the SPECTRM.



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Appendix II

Major Contributors to This Report

Michael E. McKenney, Assistant Inspector General for Audit (Returns Processing and Account Services)

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Appendix III

Report Distribution List

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Deputy Commissioner of Operations, Wage and Investment Division SE:W
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Director, Customer Assistance, Relationships, and Education, Wage and Investment
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Director, Stakeholder Partnerships, Education, and Communication, Wage and
Investment Division SE:W:CAR:SPEC
Chief, Program Evaluation and Improvement, Wage and Investment Division
SE:W:S:PEI
Chief Counsel CC
National Taxpayer Advocate TA
Director, Office of Legislative Affairs CL:LA
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Division
SE:W:S:PEI



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Appendix IV

Management's Response to the Draft Report

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308

COMMISSIONER
WAGE AND INVESTMENT DIVISION

February 1, 2012

MEMORANDUM FOR MICHAEL R. PHILLIPS
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Peggy Bogadi /s/Peggy Bogadi
Commissioner, Wage and Investment Division

SUBJECT: Draft Audit Report – The Volunteer Program Management
Information System Has Improved, but Better Controls Are
Needed to Ensure Data Reliability (Audit # 201140013)

In Fiscal Year (FY) 2010, we successfully implemented the web-based Stakeholder Partnerships, Education and Communication Total Relationship Management (SPECTRM) System that replaced the Stakeholder Partnerships, Education and Communication (SPEC) Taxpayer Assistance Reporting System. The SPECTRM system has resulted in improved access to real-time Volunteer Program information and provides enhanced reporting capabilities, including reports on tax preparation quality.

The SPECTRM System was not designed to include historical information since there were other alternatives or requirements for this data. By the end of FY 2012, SPEC will transition to Business Objects, the IRS Enterprise-wide reporting and analysis tool. Business Objects will provide greater access to historical information, including the number of returns prepared and number of grantees that participated in prior years. As the standard reporting and analysis tool for all IRS systems, Business Objects will meet Federal data security requirements, offer increased ad hoc reporting capabilities, and achieve cost savings. Until Business Objects is deployed, administrators are able to



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access historical data through the Structured Query Language Reporting Services' web-based reports.

We do have procedures in place which require employees and managers to validate the data entered into SPECTRM to ensure accuracy, but we agree adding a date field to capture the date when changes are made would make this validation easier. We agree a systemic enhancement to SPECTRM, to allow SPEC partners to upload electronic forms, could potentially improve the accuracy of data, but we are uncertain it would result in measurable resource savings. Employees would still be required to review the information and follow up to resolve incomplete or inaccurate data.

Finally, the Site Identification Numbers (SIDNs) generated by SPECTRM are an accurate way to capture return production by the Volunteer Program, however, we acknowledge volunteer preparers occasionally place an incorrect or incomplete SIDN on returns prepared, making the identification more challenging. Since these occurrences are rare, and have steadily declined over the last three years, we believe our existing monitoring and validation process is effective. *****2(f)*****
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Attached are our specific responses to your recommendations. If you have any questions, please contact me, or a member of your staff may contact Michael Beebe, Director, SPEC, Wage and Investment Division, at (404) 338-7593.

Attachment

Attachment

The Commissioner, Wage and Investment Division, should:

RECOMMENDATION 1

Consider modifying the SPECTRM to accept uploads from electronic forms from SPEC function employees to save resources and ensure data is timely input.

CORRECTIVE ACTION

We agree with this recommendation and will determine the feasibility of uploading data from electronic forms.

IMPLEMENTATION DATE

March 15, 2013



The Volunteer Program Management Information System Has Improved, but Better Controls Are Needed to Ensure Data Reliability

RESPONSIBLE OFFICIAL

Director, Stakeholder Partnerships, Education and Communication, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN

We will monitor this corrective action as part of our internal management control system.

RECOMMENDATION 2

Strengthen controls to require that Volunteer Program information is validated periodically throughout the filing season to ensure it is timely and accurately entered into the SPECTRM. Validations should include reconciling site information in the SPECTRM to current Forms 13715.

CORRECTIVE ACTION

We agree with this recommendation. We have several requirements already in place to validate Stakeholder Partnerships, Education and Communication Total Relationship Management (SPECTRM) data, including:

- Internal Revenue Manual (IRM) 22.30.1.3.13.6.3.1 (12) Form 13715, *Volunteer Site Information Sheet*, currently requires continuous monitoring of the accuracy of information in SPECTRM.
- For all sites open on or before February 1, the IRM requires Form 13715 data be entered, updated, and marked "open for (applicable year)" in SPECTRM no later than January 15.
- The IRM requires SPECTRM to be updated within three business days of receipt of an updated Form 13715.

IMPLEMENTATION DATE

Implemented

RESPONSIBLE OFFICIAL

Director, Stakeholder Partnerships, Education and Communication, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN

N/A

RECOMMENDATION 3

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CORRECTIVE ACTION

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IMPLEMENTATION DATE

Implemented

RESPONSIBLE OFFICIAL

Director, Stakeholder, Partnerships, Education and Communication, Wage and
Investment Division

CORRECTIVE ACTION MONITORING PLAN

N/A